

The Economic Situation of Divorced Older Women and its Relationship to Older Divorcées' Labor Force Participation

**Rebecca M. Loew, Ph.D.
School of Social Work, Adelphi University**

Statement of the Research Problem

A significant consequence of divorce for women and children is the looming threat of economic hardship. Furthermore, it appears that in the absence of remarriage, economic vulnerability may linger among divorcées as they age. While all older women are at a greater risk of poverty than their male counterparts, the risk for married women is modified as a result of their access to income directed to their spouses. In contrast, older divorced women increasingly are asked to go it alone financially. There are several reasons, outlined below, why such pressure for the economic self-sufficiency of older divorcées is problematic. Indeed, the few investigations that do include some measure of the economic well-being of divorced older women indicate a greater probability of poverty or near-poverty status in comparison to women of other marital statuses and to the U.S. population as a whole.

Importantly, divorce is a topic of significance to policy makers not only because the proportion of people who will have been divorced by the time they reach old age will increase greatly (Cherlin, 1981), but also because changes in social policies to increase the economic security of this growing group are indicated. An enhanced understanding of the social conditions which give rise to older divorced women's economic vulnerability will enable social work to more effectively foster greater social justice, a central commitment of the profession.

Background and Research Questions

As Fethke (1989) points out, divorce is a division of resources that typically leaves both husband and wife with less economic wealth. In response, one may accommodate to such an outcome, or take steps to expand one's income. Weitzman's (1985) study of couples of all ages who were divorced after no-fault divorce law was implemented suggests that women usually are unable to recover what they lose. In comparison, men eventually achieve a higher standard of living after divorce, as their work and income continue uninterrupted and the courts typically do not require them to share their salary with their former wife, nor to contribute equally to support their children.

Divorced women's efforts to gain wealth may be largely associated with employment. Morgan (1991) proposes that labor force participation is an adaptive strategy for divorced and widowed women, as an increase in employment may occur in response to changes in economic and social circumstances. However, women continue to face significant obstacles (e.g. occupational segregation and wage gap) to their ability to access adequate wage and salary income. In addition, elders are less able than younger persons to turn to the labor market for help in contending with an economic setback, such as divorce or widowhood (Burkhauser and Duncan, 1988).

This study used a nationally representative sample to investigate the relationship between the economic situation and labor force participation of divorced women who were ages 55 years and older in 1988. It was hypothesized that retirement income for these women would be scarce and, therefore, that they would be more likely than other older women to participate in the paid labor force. That is, because wages may have an ameliorative effect on older women's economic situation (Crown et al., 1993), this study examined the implications of older divorced women's economic status for their labor force participation. The problem identified and examined in this study was not the mere presence of divorced older women in the labor market, but rather whether older divorcees face a high likelihood of being induced to seek or maintain employment by the threat of poverty or low income.

The model of labor supply used in this study draws from life-cycle theory. According to life-cycle theory, an individual chooses the optimal amount of work to do in the remaining years of their life. In this model, "optimal" is defined as the labor supply pattern that maximizes lifetime satisfaction, which is a function of consumption and leisure. So, for instance, in accordance with the life-cycle approach, Social Security and pensions are viewed as assets, the values of which vary with age of acceptance and length of life. In deciding whether to continue or stop employment, an individual will weigh the potential loss in market earnings when Social Security and private pension benefits are accepted against the change in the total potential value of private pension and Social Security benefits if retirement is postponed. In addition to Social Security and private pension benefits, other variables specified as key to the labor supply decision include health, education, individual tastes, presence of young children, and employment opportunities.

Methodology

This study used data collected for the Bureau of the Census' 1989 Current Population Survey (CPS). The CPS is designed to provide comprehensive data on employment in the United States, as well as demographic information. The March Survey used for this study also included information about individuals' economic situation and work experience in the previous year and it was supplemented with a sample of about 2,500 Latina households. There are about 56,500 households surveyed monthly in the CPS, including 1,108 divorced women over age 54. Because the Survey provides a nationally representative weighted sample of women ages 55 and older, the findings can be generalized to the entire U.S. population of older divorced women.

The analysis began with a demographic profile of the divorcees by employment status and then moved to an examination of the relationship between labor force participation and each of the principal independent variables, including measures of economic status, health, and education. Comparisons with widowed, never married, and separated women also were made in order to determine whether it is merely the departure from or absence of marriage which accounts for the economic situation of older unmarried women, or whether it is the manner by which a woman is detached from a spouse which determines her economic status. Statistically significant chi-square results and the strength of correlation coefficients provided criteria for the selection of appropriate control variables in the creation of the multivariate equation.

The multivariate analysis entailed a sample selection model of labor supply. This model enables estimates of labor supply parameters to be obtained when wages are unobserved for nonworkers and has the advantage of correcting for possible bias of people in the labor force being systematically different from those not in the labor force. The purpose of the multivariate analysis was not only to evaluate the central hypothesis of the study, but also to determine the relative role that particular factors play in determining labor force participation.

Results

Although more than half of the divorced women did not work for pay, there was significant variation in the employment status of the group. White women were less likely than black or Latina women to be out of the labor force, 55.6 percent as compared to 63.3 percent and 57.5 percent, respectively. While full-time employment was most common, close to ten percent of the sample worked part-time and part-time patterns tended to increase with age. The unemployment rate for all older divorcees was two percent, and for Latina women, was highest at five percent.

The amounts and relative importance of various sources of divorced older women's annual income differed depending on the extent of labor force participation. Divorced women who were not in the labor force received greater amounts of Social Security (after controlling for age), pensions, SSI, dividends, and alimony. Social Security was the greatest source of income for these women, with average benefits amounting to 40.3 percent of income. As poverty was more probable among those without employment income, such divorcees received the highest average annual SSI payments, \$531, which constituted 6.0 percent of their income. Pension income accounted for about 9 percent and interest income amounted to 13.5 percent of the income of women out of the labor force. In contrast, earnings comprised 81.7 percent of full-time workers' income and the average earnings of part-time workers comprised about half of total income. For full-time workers, annual pension benefits averaged \$534, or 2.3 percent of their income. While interest payments were just 7.2 percent of full-time workers' income, the average amount received annually was higher than that secured by those out of the labor force, \$1,667 as compared to \$1,203. Part-time workers received the highest average alimony payments, \$895, or 6.6 percent of their income.

Not surprisingly, women who were employed received the highest average annual incomes. The differences between employment statuses and total income were significant and they remained so after controlling for race, Latina origin, age, and level of education. Income levels were highest for whites, while black divorcees who were not in the labor force or who worked part-time had higher levels of income than their Latina counterparts. Employed women ages 70 and above received higher incomes than any other age group, which may be related to greater tenure in the labor force. Most striking were the differences in income across educational categories. Women with education beyond high school received the greatest incomes. In contrast, women who did not complete high school and who were out of the labor force received less than half the income of their most educated counterparts. In addition to higher rates of labor force participation, women with the highest levels of education had the largest share working full-time.

The general relationship between education and labor force participation was found in both racial, ethnic, and age group comparisons.

About eight percent of the divorced women who reported a health limitation still worked full-time and 3.7 percent were employed part-time. The likelihood of continuing to work despite a health problem was greater for blacks than whites, which suggests an interaction with low levels of income. For this sample, other variables that were expected to be related to employment seemed to have had an insignificant relationship: geographic location and presence of young children.

In order to untangle the independent affects of each variable, multiple regression analysis was utilized. The regression analysis explained 22.2 percent of the variance in the hours of work of older divorcees. Variables that had a significant and negative affect on labor supply were wage, wealth, education, and Medicaid coverage. The control variable, the probability of not being in the labor force, also had a significant and negative impact on labor supply. The statistical significance of this variable suggests that failure to include it in the regression would have resulted in biased coefficient estimates for the remaining variables. One variable, pension wealth, had a significant and positive effect on labor supply.

Taken together, this constellation of factors suggests that labor supply is greatest for those earning lower wages, with less wealth, and fewer years of schooling. One mitigating influence on this trend is that divorcees with greater pension wealth worked more hours. Although interpretation of this result is equivocal, it may reflect the presence of financial incentives that overshadow the benefits of reducing work, the greater level of job satisfaction and commitment to work of those with generous pensions, or both. Finally, divorced women with the lowest levels of income and who are more likely to be in poor health worked fewer hours, a finding which suggests that, for the most economically vulnerable, earnings are not likely to be a significant resource. Instead, these results suggest that divorced older women with modest levels of education and a remote ability to accrue wealth, face the greatest likelihood of being enticed into, and perhaps "trapped" in, the labor force. Although the findings here are not conclusive, they lend support to the hypothesis that older divorcees freedom to choose between work and retirement is restricted by the inaccessibility of sufficient retirement income.

Utility for Social Work Practice

The findings of this study highlight the need for modifications to current social policy. A principal goal of these policy alterations is greater equity in the distribution of income in older age. Today, the economic situation of elders closely parallels that of younger persons: some elders are quite wealthy, many have adequate income, most have moderate incomes, and a significant number are in poverty. Of central concern to this study is the concentration of women in the latter group-- the feminization of poverty. Despite progress towards enhancing economic security among older persons, and an unprecedented increase in the labor force participation of women, the opportunities to obtain income adequacy still elude many elderly women, especially women of color. Specifically, older single women--divorced, separated, never married, widowed--experience high rates of poverty. In light of the current economic and social context in which public policy decisions are made, i.e. one of belt-tightening and retrenchment, the need

to underscore the economic vulnerability of certain groups and to offer effective solutions is especially salient. These solutions encompass modifications to the rules of Social Security (e.g. earnings sharing) and private pensions (e.g. pension portability), the structure and availability of employment opportunities (e.g. job sharing or part-time work with pro-rated benefits; policies to ameliorate occupational segregation and wage gap), and the division of resources upon divorce (e.g. reward homemakers' work and their contribution to their spouse and children). In its efforts to alter those social institutions which create and perpetuate social "illfare," via such methods as community organization and legislative lobbying, the social work profession can play a significant part in achieving greater economic and social equity for a growing group of vulnerable elders.

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